

REFORMING MEDICAID

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REFORMING MEDICAID

- **MEDICAID'S FISCAL PROBLEM**
- FEDERAL SHARE OF MEDICAID WAS 1.2% OF GDP IN 2000
- PROJECTED TO RISE TO 3.9% BY 2050
- PROJECTED TO REACH 5.3% BY 2075!
- FED/STATE OF 2.0% OF GDP IN 2000
- PROJECTED TO RISE TO 9% BY 2075!

REFORMING MEDICAID

- **MEDICAID'S QUALITY PROBLEM**
- WAITING LISTS & OUTRIGHT SHORTAGES
- “MEDICAID MILLS” WITH LOW QUALITY CARE
- LACK OF EARLY TREATMENTS LEADING TO SERIOUS AILMENTS

REFORMING MEDICAID

- LESS INNOVATION
- FRAUD AND ABUSE
- OUTRIGHT STUPIDITY

REFORMING MEDICAID

- **MEDICAID FALLACIES**
- MEDICAID IS “LOW COST”
- RELATIVELY LOW RECENT INFLATION RATE RESULTS FROM PRICE CONTROLS, LOW QUALITY AND COST SHIFTING
- RATES ARE 38% BELOW URL

REFORMING MEDICAID

- **LOW MEDICAID OVERHEAD**
- **IGNORES SUBSTANTIAL COMPLIANCE COSTS**
- **IGNORES TAX COLLECTION COSTS AND EXCESS BURDEN**
- **IGNORES LAGGED PAYMENT COSTS**

REFORMING MEDICAID

IGNORES UTILIZATION EXCESSES IN
FEE FOR SERVICE PLANS

IGNORES LACK OF INNOVATION AND
IMPACT ON QUALITY AND COST
CONTROLS

ONE ESTIMATE PLACED PUBLIC
SECTOR EFFECTIVE HEALTH CARE
OVERHEAD AT 25% VS. 15% PRIVATE
AND 5% LARGE SELF-INSURED

REFORMING MEDICAID

- **MEDICAID'S "PROBLEM"**
- NO REAL MARKET PLACE
- BUYERS LOOKING FOR BEST "DEAL"
- SELLERS/PROVIDERS TRYING TO EARN PROFIT/INCOME

REFORMING MEDICAID

- **PRICE CONTROL SYSTEM**
- **“COST-BASED” PAYMENTS**
- **“PROSPECTIVE” PAYMENTS WITH DRG’S, RBRVS, OTHER SCHEMES**
- **IMPOSSIBLE FOR THE GOVERNMENT TO SET PRICES**
- **ENORMOUS INEFFICIENCY**
- **FRAUD AND ABUSE MAY BE 40%!**

REFORMING MEDICAID

- **PRODUCTIVITY**
- MOST IMPORTANT STATISTIC
- CENTRAL TO LIVING STANDARDS
- KEY TO SUSTAINING MEDICARE & MEDICAID

REFORMING MEDICAID

- VARIOUS INDUSTRY PROD
- 1987-2001
- PRIVATE NON-FARM 2.0%
- MANUFACTURING 3.1%
- SERVICES 1.8%
- HEALTH CARE ???
- SOURCE: BROOKINGS INSTITUTION

0.0%!

REFORMING MEDICAID

- EDUCATION -.3%
- BOTH AREAS SUFFER FROM LACK OF REAL FREE MARKET WITH RESULTING COST AND QUALITY ISSUES

REFORMING MEDICAID

- **REAL MARKET PLACE**
- “INSURANCE & PROVIDER EXCHANGE”, MEDICAID MART
- BENEFICIARIES RECEIVE CREDITS TO PURCHASE CARE
- PROVIDERS COMPETE

REFORMING MEDICAID

- ALL PLANS ARE PREPAID
- PAYMENTS TO PLANS ARE “RISK-ADJUSTED”
- PLANS MAY OFFER DIFFERENT BENEFITS

- PLANS HAVE OVERALL \$ BENEFIT LIMITATION
- BENEFICIARIES MAY “BUY INTO” EMPLOYER PLANS
- SMALLER PLANS ARE REINSURED BY MEDICAID

REFORMING MEDICAID

- “REVERSE” HEALTH SAVINGS ACCOUNTS
- EARN ADDITIONAL DOLLARS BY “GOOD BEHAVIOR”, PHYSICAL EXAMS, WEIGHT CONTROL, PREVENTATIVE CARE, THAT MAY BE USED TO PURCHASE OTHER SERVICES, EYECARE, ..

REFORMING MEDICAID

- **WHAT HAPPENS IN FREE MARKETS FOR HEALTH?**
- GREAT SUCCESS OF C&C TRIALS
- MUCH SLOWER INFLATION IN “CASH” MARKETS FOR COSMETICS, EYECARE, PODIATRIC, DRUGS BEFORE INSURANCE
- GOOD INITIAL RESULTS WITH HRA, HSA

REFORMING MEDICAID

- CURRENT PROJECTIONS
MEDICAID AS % OF GDP
- 2000 1.2%
- 2050 3.9%
- 2075 5.3%

REFORMING MEDICAID

- CURRENT PROJECTIONS FED
MEDICAID AS % OF GDP

WITH 1% PROD

- | | | |
|--------|------|------|
| • 2000 | 1.2% | 1.2% |
| • 2050 | 3.9% | 2.4% |
| • 2075 | 5.3% | 2.6% |

REFORMING MEDICAID

- CURRENT PROJECTIONS FED/
STATE MEDICAID AS % OF GDP

WITH 1% PROD

- 2000 2.0% 2.0%
- 2050 6.5% 4.0%
- 2075 9.0% 4.3%